

Nassau County

Fiscal 2006 Adopted Budget In Brief



Adopted October 30, 2005

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County Executive

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Calendar

January 1, 2005 - The fiscal year for the 2005 operating budget started.

September 15, 2005 – The County Executive submitted the Fiscal 2006 Proposed Budget and Fiscal 2006 – 2009 Multi-Year Financial Plan to the County Legislature and to NIFA.

October 6, 7, 11 and 17, 2005 – The Nassau County Legislature reviewed the Public Safety Vertical, Government Services Vertical, Health & Human Services Vertical and Finance Vertical portions of the Fiscal 2006 Proposed Budget.

October 14, 2005 – The Nassau Interim Finance Authority (NIFA) presented its report on the Fiscal 2006 Budget and Fiscal 2006 – 2009 Multi-Year Financial Plan to the NIFA Board of Directors.

October 17, 2005 – The Nassau County Legislature Finance & Rules Committees reviewed the Fiscal 2006 Proposed Budget and the Nassau County Legislature held a public hearing on the Fiscal 2006 Proposed Budget.

October 30, 2005 – The Fiscal 2006 Budget was adopted.

December 1, 2005 – NIFA approved the Fiscal 2006 Budget.

Overview

Nassau County, with a population of 1.3 million people, is located approximately 15 miles east from midtown Manhattan, placing it at the center of a world-class metropolitan region. The County has a vibrant economy and ranks in the top 1% of all counties in the United States in terms of its population and its per-capita income.

The County develops and submits Budgets and Multi-Year Financial Plans on an annual basis. The Multi-Year Plan identifies the projected size of out-year budget deficits and itemizes a series of measures, the implementation of which is required to close these projected shortfalls successfully.

The information included here can only be considered an overview of a quite complex subject.

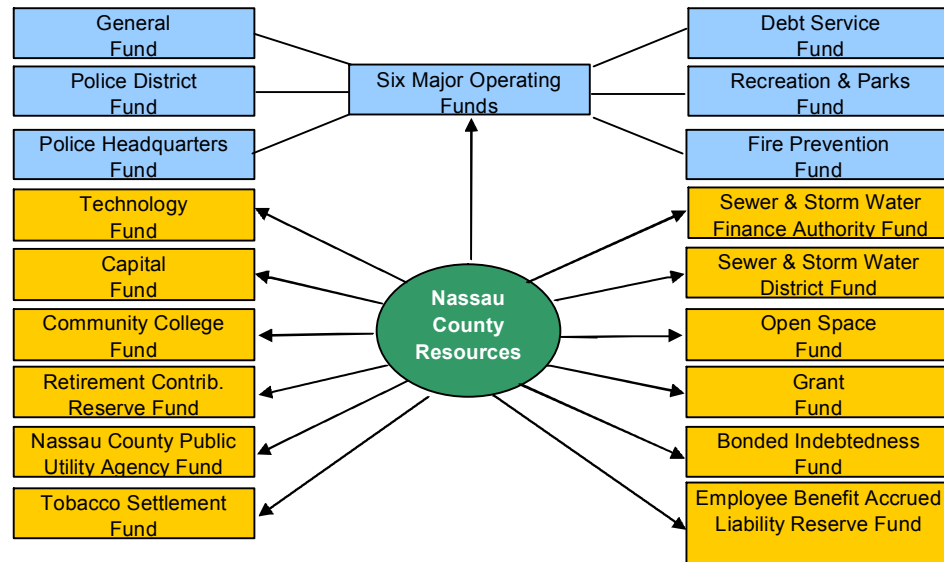
Key Components

In summary, the key components of the Adopted Fiscal 2006 Budget, totaling \$2.4 billion, are:

- No increase in the property tax levy
- No reliance on any NIFA transitional or restructuring assistance
- No longer borrow to pay property tax refunds
- The adoption of achievable budget assumptions
- The investment of approximately \$6.7 million in critical areas including \$4.5 million community-based service organizations, \$1 million for the “Common Sense for the Common Good” program designed to reduce the number of unintended pregnancies, \$1 million for local municipalities to implement long-term visioning efforts and improve their business districts, and approximately \$200,00 for business retention and expansion.
- The establishment of a \$5 million reserve appropriation to address unforeseen events, such as spikes in utility costs or temporary problems in the local economy related to Hurricane Katrina.

Fund Structure

Nassau County allocates revenues and expenditures into 18 separate funds. Fiscal oversight generally focuses on the Six Major Operating Funds (General Fund, Police Headquarters Fund, Police District Fund, Parks and Recreation Fund, Fire Prevention Fund and Debt Service Fund) because these funds contain the resources necessary to support the primary daily operations of the County. The Community College Fund is independent and supports the operations of Nassau Community College. The Sewer and Storm Water District Fund is independent and supports the operation of the sewage disposal and collection system as well as storm water operations. The remaining funds were specifically established to address particular needs including capital projects, technology investment and grant programming.



The Six Major Operating Funds

The Nassau County Budget contains six Major Operating Funds that support the primary operations of the County's departments:

- 1) General Fund
- 2) Fire Prevention Fund
- 3) Parks and Recreation Fund
- 4) Police Headquarters Fund
- 5) Police District Fund
- 6) Debt Service Fund

As such, fiscal oversight typically focuses on the balance of expenses and revenues in these six funds.

General Fund

The General Fund contains expenses and revenues for all County departments and offices other than the Fire Commission, Department of Recreation and Parks and the Police Department. During the year, the County frequently transfers funds between these departments and offices to address needs as they arise. Revenues are derived primarily from County sales tax collections and a designated portion of the County property tax. Other sources of revenue include departmental fees, permits and licenses and investment income.

Police Headquarters Fund

The Police Headquarters Fund contains expenses and revenues for the services that the Police Department provides to all Nassau residents. These include crime investigations, ambulance services, traffic safety, highway patrol and administrative/support services. Revenues are derived primarily from a designated portion of the County property tax, special taxes, and various fines, permits and fees.

Police District Fund

The Police District Fund contains expenses and revenues for the services provided by the Police Department's eight precincts. These include patrol, crime prevention and arrest processing. Revenues are derived primarily from a designated portion of the County property tax and various fines, permits and fees. Of the Six Major Operating Funds, the Police District Fund is unique in that it is not countywide in nature. Only communities that receive County police protection receive Police District Fund services, and, as such, only residents in these communities pay the Police District property tax.

Parks and Recreation Fund

The Parks and Recreation Fund contains expenses and revenues for the Department of Parks, Recreation and Museums, which is responsible for operating the County's parks, preserves and museums and for providing various recreational services. Revenues are derived primarily from a designated portion of the County property tax and various user fees.

Fire Prevention Fund

The Fire Prevention Fund contains expenses and revenues to support the operations of the Fire Commission, which ensures compliance with County fire safety codes and coordinates the operations of the various local fire districts. Revenues are derived primarily from a designated portion of the County property tax and various fees, fines, permits and licenses.

Debt Service Fund

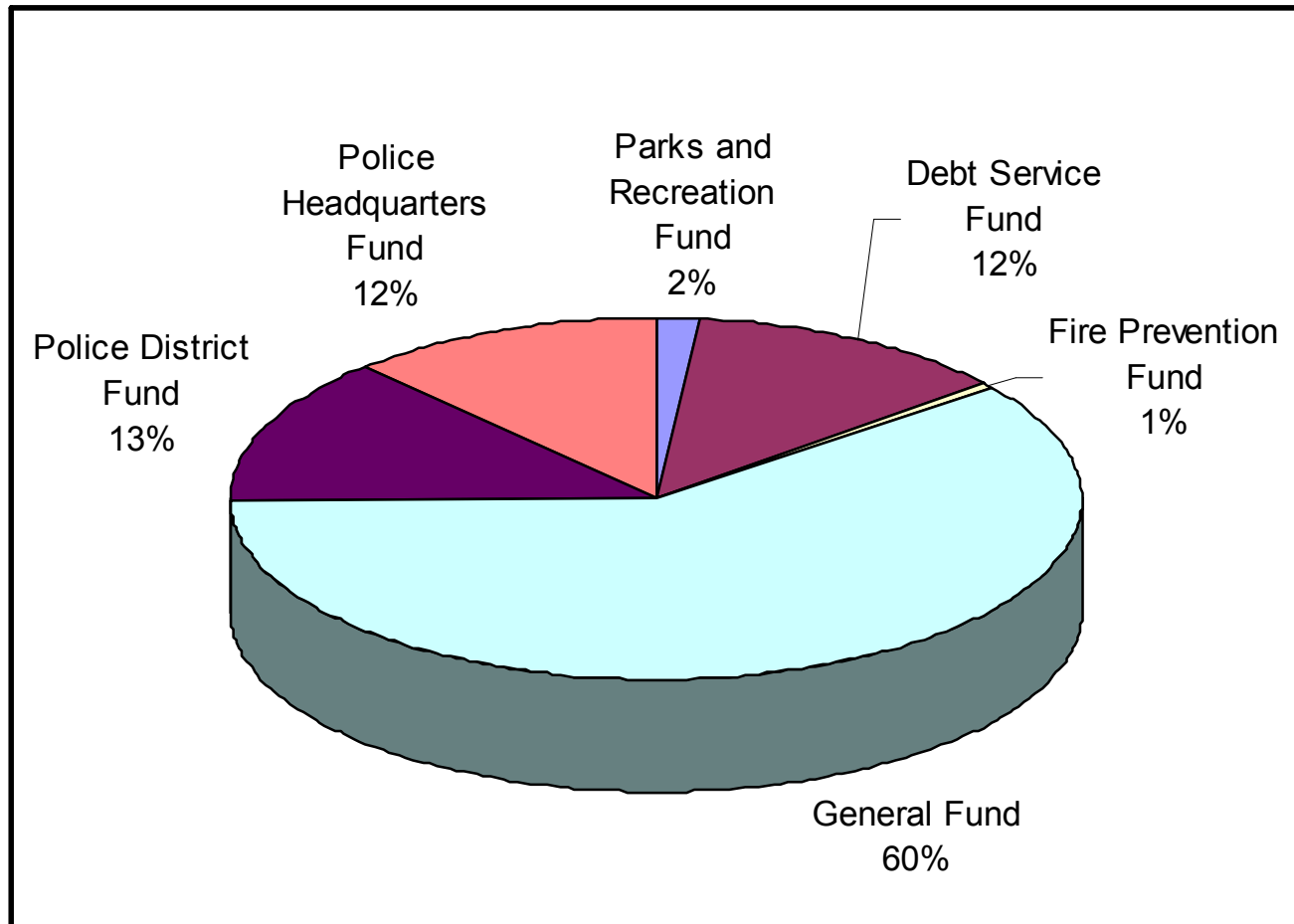
The Debt Service Fund contains all interest and principal payments for the County's borrowings. The administrative costs of borrowing as well as the impact of Nassau Interim Finance Authority sales tax set-asides also are recognized in this fund. Given that annual interest and principal payments are calculated based upon prior borrowings for specific projects and charged to operating departments, the Debt Service Fund is entirely supported by revenues transferred from the other funds.

Total Major Operating Funds - Expenses

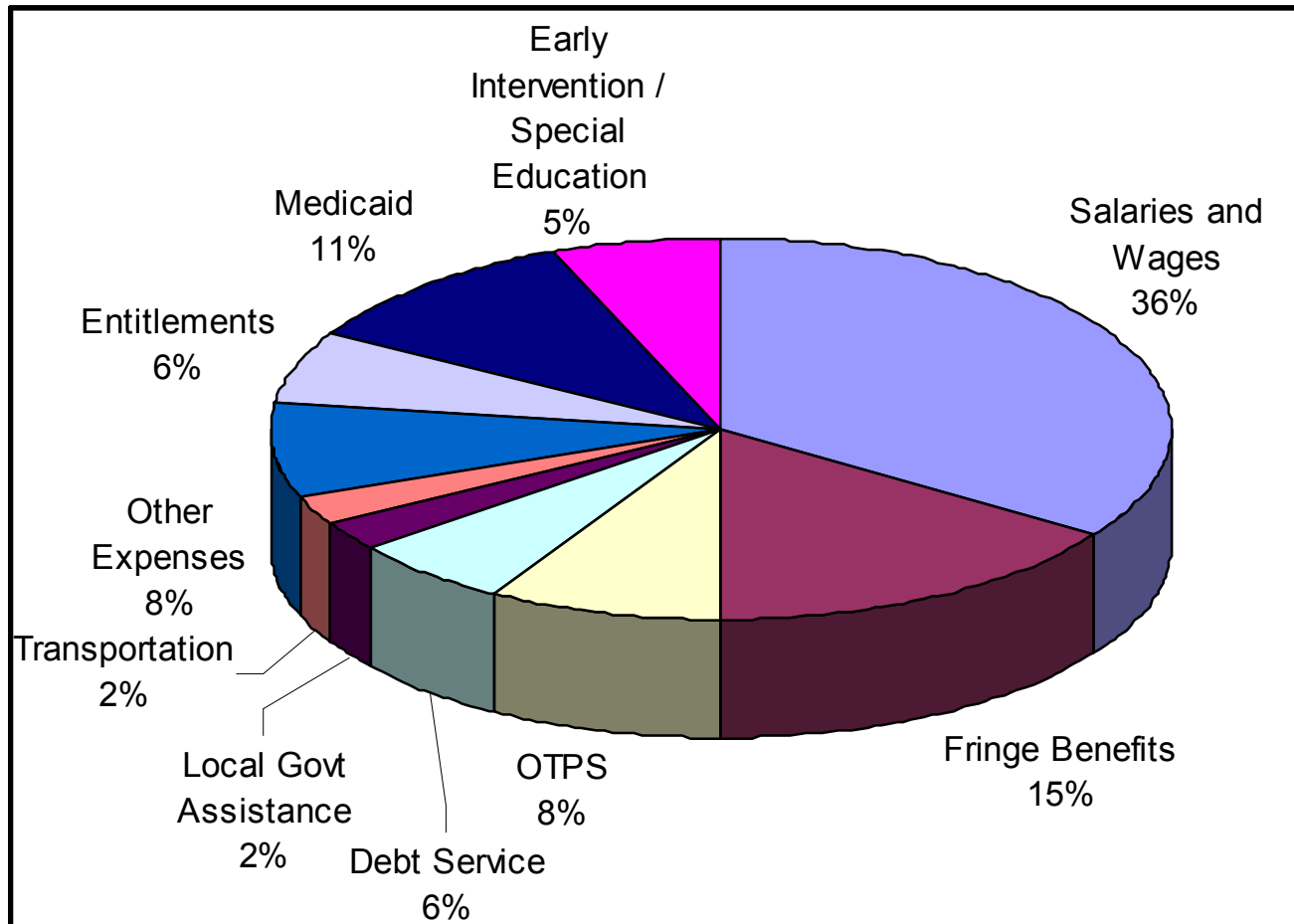
Expenditures fall primarily into personnel, debt service, direct assistance and administrative costs. Many expenditures are mandated by the state and federal government. This reduces the County's discretion to allocate resources to other priorities.

Total 2006 Expenses = \$2,408,756,747

Total Major Operating Funds – Expenses – By Fund



Total Major Operating Funds – Expenses – By Category



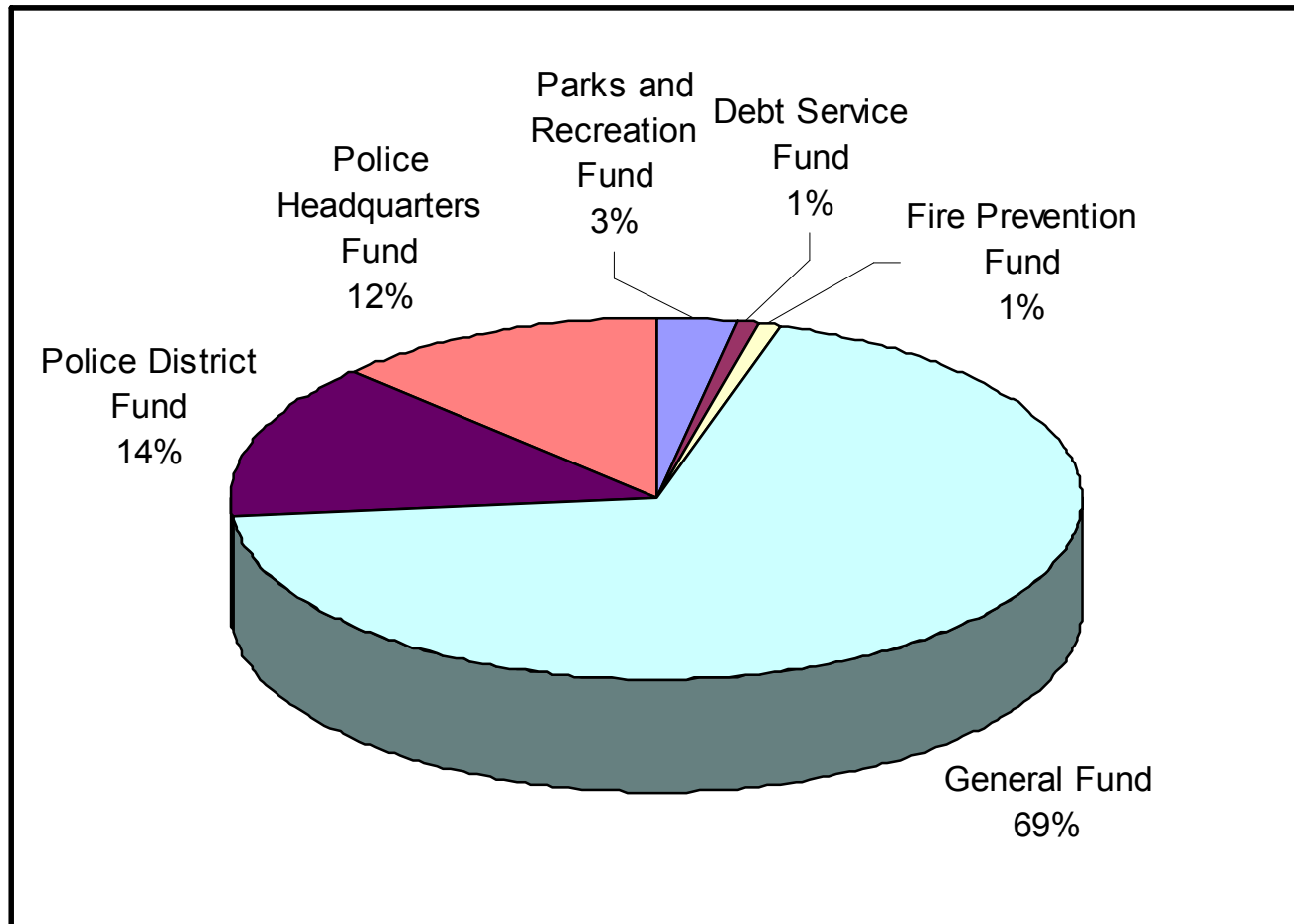
Total Major Operating Funds - Revenues

Revenue comes from property taxes, sales tax, state aid, federal aid, and a variety of other sources.

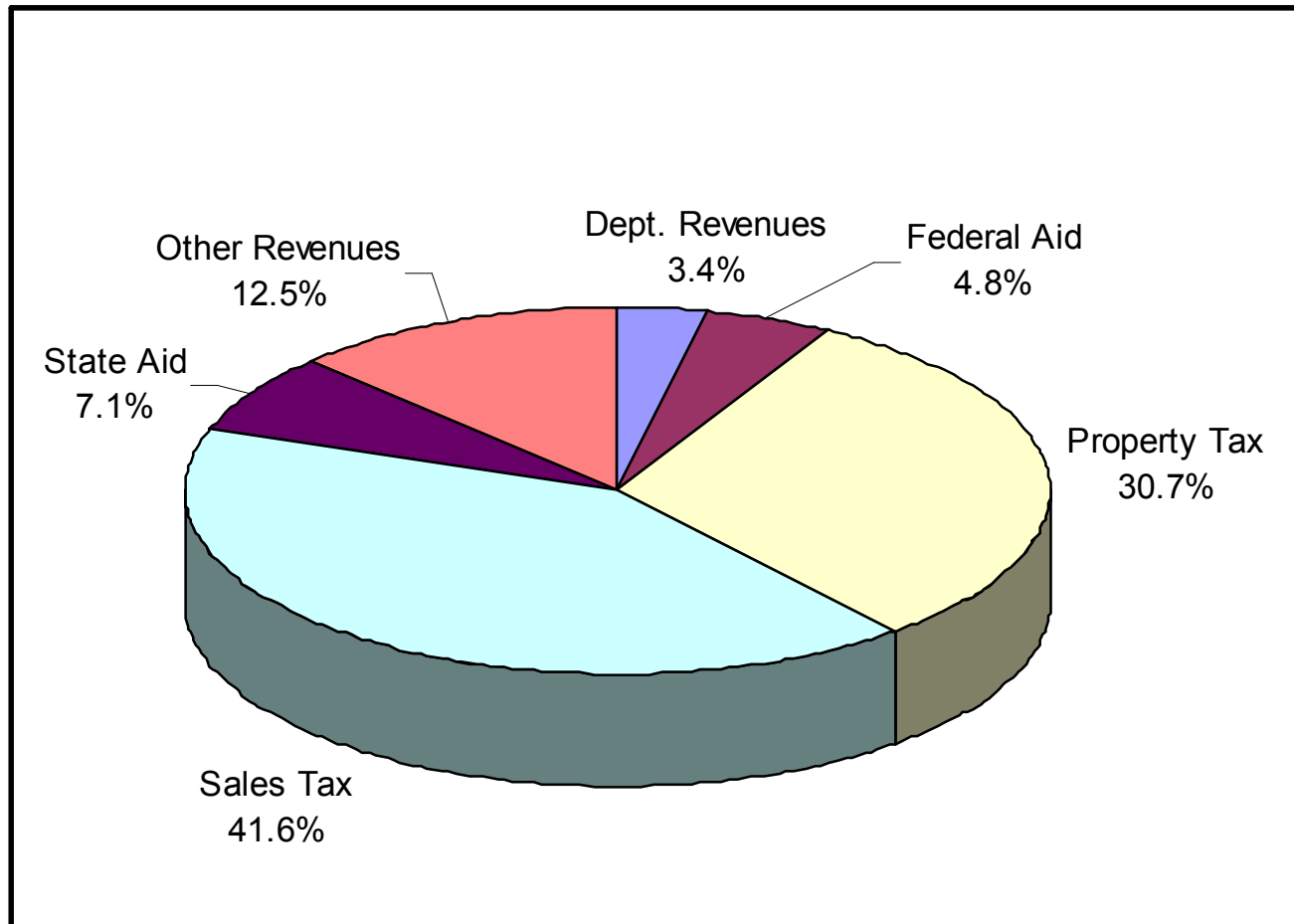
The revenue stream included in the budget is only an estimate of the amounts that can be anticipated. For example, Nassau County's sales tax rate is 8.625% of which 4% is the county's share. If retail sales fall, the 8.625% sales tax yield will not be as great as anticipated. Similarly, if homeowners and business owners do not promptly pay their property tax, there is a shortfall.

Total 2006 Revenues = \$2,408,756,747
(Note this equals total expenditures.)

Total Major Operating Funds – Revenues – By Fund



Total Major Operating Funds – Revenues – By Category



Major Fund Staffing

The 2006 Budget for the County workforce includes 9,163 full-time employees, 1,201 part-time employees and 817 seasonal employees.

The majority of County employees are represented by five labor organizations recognized under the provisions of the Taylor law. These are the Nassau County Civil Service Employees Association ("CSEA"), the Nassau County Police Benevolent Association ("PBA"), the Detectives Association, Inc. ("DAI"), the Superior Officers Association ("SOA") and the Sheriff Officers Association ("ShOA").

Major Fund Department Staffing

MAJOR FUND DEPARTMENT STAFFING

Department	Full Time	Part Time	Seasonal
PD - POLICE DISTRICT	1,863	460	0
PD - POLICE HEADQUARTERS	1,744	42	0
CC – SHERIFF/CORRECTIONAL CENTER	1,252	6	0
PK - PARKS, RECREATION AND MUSEUMS	269	228	545
SS - SOCIAL SERVICES	873	157	0
PW - PUBLIC WORKS DEPARTMENT	540	44	145
DA - DISTRICT ATTORNEY	351	0	6
HE - HEALTH DEPARTMENT	250	18	14
PB - PROBATION	261	13	0
AS - ASSESSMENT DEPARTMENT	247	7	0
ALL OTHER	1,513	226	107
Grand Total	9,163	1,201	817

2006 New Investments

Common Sense for the Common Good

The “Common Sense for the Common Good” Agenda was announced in 2005 as a way to reduce the number of unintended pregnancies and the women who face them by funding efforts to help prevent unintended pregnancies and to support women who face unintended pregnancies. The initiative was created to address two separate elements: 1) to give women who face an unintended pregnancy a greater range of all their choices. 2) to do more to prevent unintended pregnancies in the first place. The allocations proposed are as follows: \$400,000 per year to support homes for single mothers, \$200,000 per year to promote adoptions in Nassau County and \$400,000 per year to support educational efforts. Each of these appropriations is included in the Health Department budget.

2006 New Investments

Health and Human Services Community-Based Organizations

The Community-based organizations are just as important as direct County staff in addressing the social service needs of County residents, and the Administration recognizes that the health and human services infrastructure requires additional resources for this purpose. They have not received increases in funding for several years, despite incremental increases in costs related to pension, rent, utilities, health insurance, etc. As a result, \$4.5 million in funds have been allocated to these organizations to help rebuild their infrastructure and expand services.

2006 New Investments

Long Term Visioning

Between February 2003 and June 2005, the Planning Department facilitated the County Executive's thirty-five Economic Development Zone meetings to understand the specific needs and interests of local communities. As a result of this process, the Department has identified opportunities for follow-up study and project development. These projects range from corridor studies of major thoroughfares with traffic and land use challenges to identifying and analyzing important parcels for redevelopment in accordance with the County's economic development plan. The 2006 Budget appropriates \$1 million to procure services for technical consulting to provide expertise and facilitate community-based planning throughout the County.

2006 New Investments

Business Retention and Expansion

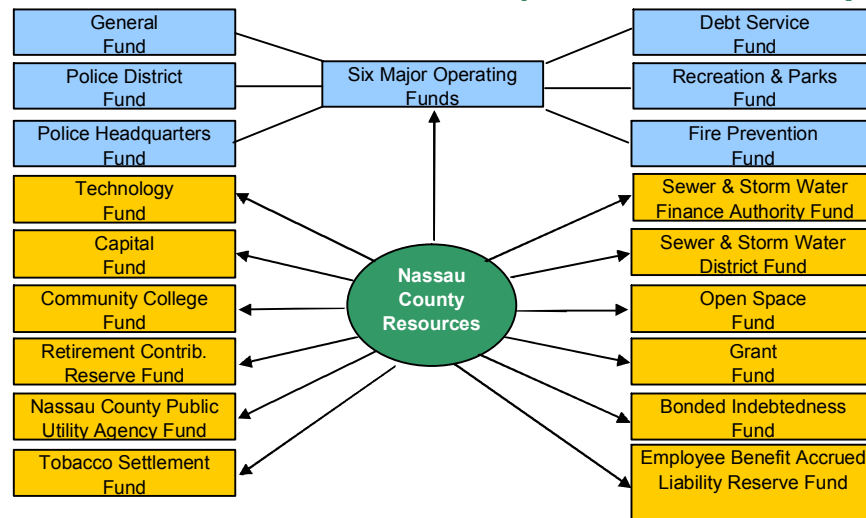
Funds allocated for our new Initiative for Economic Attraction, Retention and Expansion will cover personnel, advertising and related materials, plus establishing external community and business relationships to promote the strong economic message of Nassau County on a regional, national and international scale to ignite new and expanded investment here.

This necessary economic expansion will also be coordinated with our other programs of outreach and assistance for overall neighborhood revitalization, as well as minority community employment and business development, working with our Office of Minority Affairs.

Commencement of Nassau County's anticipated Empire Zone Program will also be of great help in this effort.

Other Funds

In addition to the Six Major Operating Funds (General Fund, Police Headquarters Fund, Police District Fund, Parks and Recreation Fund, Fire Prevention Fund and Debt Service Fund) which contain the resources necessary to support the primary daily operations of the County, there are 12 other funds (Sewer and Storm Water Finance Authority Fund, Sewer and Storm Water Resource District Fund, Technology Fund, Community College Fund, Grant Fund, Open Space Fund, Retirement Contribution Reserve Fund, Capital Fund, Public Utility Agency Fund, Bonded Indebtedness Fund, Tobacco Settlement Fund, and Employee Benefit Accrued Liability Reserve Fund).



Other Funds

Sewer and Storm Water Finance Authority Fund

Budget: \$178.3 Million

Staffing: 0 Employees

The Authority will be solely a finance authority. It is empowered to finance or refinance sewer and storm water projects within a \$350 million cap, and to take title to sewer or storm water properties as part of its financing mission. The Authority may not take title to the land devoted to sewer or storm water purposes; this restriction is designed to ensure that the Authority will not be used to sell land that is environmentally desirable, such as sumps.

The Authority will restructure sewer debt issued through the Environmental Facilities Corporation, matching the debt to the sewer assets' useful lives. The Authority will also take over the responsibility for paying debt related to storm water projects which were previously carried in the general fund. In the future, as the County takes on new sewer or storm water capital projects, the debt will be issued through the Authority to the extent permitted under the cap.

Other Funds

Sewer and Storm Water Resource District Fund

Budget: \$236 Million

Staffing: 461 Full Time / 1 Part Time / 2 Seasonal

The Sewer and Storm Water District Fund consists of the Nassau County Sewer and Storm Water Finance Authority and a consolidated County-wide Sewer and Storm Water Resource District. The Sewer and Storm Water District Fund is self-supportive and contains funding for the County's sewage disposal and collection system as well as the storm water system. It covers expenses related to the Department of Public Works employees assigned to these functions and associated debt service costs. Prior to 2005, these costs were divided amongst three disposal districts and 27 individual collection districts. Going forward, they will be charged to a single county-wide sewer and storm water district.

Other Funds

Community College Fund

Budget: \$173.5 Million

Staffing: 1,201 Full Time / 2,043 Part Time

The Community College Fund is independent and supports the operations of Nassau County Community College. The College has its own board of trustees and president, nevertheless it is reliant on County property taxes for approximately 30 percent of its revenue. Each year, usually three months before the submission of the proposed County Budget, the board recommends a proposed budget and seeks approval by the County Executive and Legislature.

Other Funds

Grant Fund

2006 Grants Plan Estimate: \$95 Million

The County receives outside funding, primarily from the State and Federal governments, that completely covers the cost of certain programs. While most of these programs are in the health and human services area, a sizeable number of grants are also received to enhance public safety. In each case, when the cost of a County employee or non-personnel related service is fully reimbursed by an outside entity, that expense (and associated revenue) is charged to the Grant Fund. Because generally accepted accounting principles preclude the County from assuming grant revenues in the adopted budget before receipt is assured, outside reimbursements and expenses are recognized in the Grant Fund by supplemental appropriation only after the fiscal year has started and receipt of the funds is assured.

Other Funds

Open Space Fund

Opening Balance: \$392,990

The Open Space Fund, established by Local Law 7 of 2003, contains resources generated from the proceeds of County real estate sales, private gifts and grants to preserve undeveloped land in the County. The law requires that five percent of the proceeds from the sale of County-owned real estate acquisition, provide rehabilitation and maintenance of property to be used for open space purposes.

Other Funds

Retirement Contribution Reserve Fund

Budget: \$44.1 Million

The Retirement Contribution Reserve Fund contains resources set aside to cover future pension payments on behalf of County employees. Fluctuations in local contributions into the State pension plan, as mandated by the State Comptroller, were the impetus for the County creating this reserve.

Other Funds

Employee Benefit Accrued Liability Reserve Fund

Budget: \$28.9 Million

The Employee Benefit Accrued Liability Reserve Fund contains resources set aside to cover future termination pay expenses for employees who separate from County service. It is with the potential for a surge in sworn police officer retirements in mind that the Administration proposed setting surplus resources aside in this formal reserve.

2005 Capital Fund

2005 Capital Budget: \$158.9 Million

2005 Working Capital Budget: \$169.0 Million

The Capital Fund contains expenses associated with the County's infrastructure improvement program and outstanding judgments and settlements, including tax certiorari¹. The bulk of revenue supporting the Capital Fund is derived from capital borrowing. A lesser amount is generated from non-County sources such as the federal and state governments and from County operating funds. The County Executive submitted the Fiscal 2005 Proposed Capital Budget and 2005-2008 Capital Plan on October 15, 2004. It was approved on March 21, 2005.

¹ The County intends to reduce borrowing for judgments and settlements and the Multi-Year Plan contemplates transitioning to paying tax certiorari settlements out of the operating budget beginning in 2006.

2006 Capital Fund

The Proposed 2006 Capital Budget Ordinance is being submitted to the County Legislature in March.

Total General Capital: \$123.4 Million

Total General Capital Debt: \$99.1 Million

Total Building Consolidation Program: \$21.1 Million

Total Building Consolidation Program Debt: \$20.8 Million

Total SSWA Capital: \$23.7 Million

Total SSWA Capital Debt: \$16.7 Million

Total Working Capital: \$35 Million

Total Working Capital Debt: \$35 Million

Total Open Space Program: \$10 Million

Total Open Space Program Debt: \$10 Million

Ratings Upgrades

Due to the improved financial condition of the County, the major bond rating agencies have awarded eleven upgrades to the County since January 1, 2002.

In its last announcement on November 30th, Standard & Poor's said, "The past three years have seen a steady trend of achievements in the county's financial position and the refinement of the multiyear financial plan. These achievements have included substantial workforce reductions; county labor union concessions; a comprehensive property revaluation; implementation of an improved process for handling assessment grievances; the creation of a stabilization agreement with NHCC; formalization of various financial policies; and further debt restructuring, refunding, and reduction through the Nassau County Interim Finance Authority (NIFA) and Nassau County Sewer and Storm Water Finance Authority. These achievements have translated into a strengthened financial position for Nassau County."

As of February 2006, Nassau's ratings stand at:

A- (Fitch Ratings)

A (Standard and Poor's Ratings Services)

A3 (Moody's Investor's Services)